COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF GAS AND ELECTRIC RATES OF LOUISVILLE GAS AND ELECTRIC COMPANY	)))	CASE NO. 90-158

O R D E R

IT IS ORDERED that Louisville Gas and Electric Company ("LG&E") shall file an original and 15 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. The information requested herein is due no later than September 5, 1990.

1. Concerning the response to Item 2 of the August 8, 1990 Order, provide the following information:

a. The expected savings from LG&E's efforts to improve customer access to its telephone answering center.

b. The estimated annual on-going costs for equipping LG&E field customer service representatives with computerized hand-held data storage and retrieval devices.

2. Concerning the response to Item 8 of the August 8, 1990 Order, page 3 of 5, provide the legend information for the graph.

3. Concerning the response to Item 9 of the August 8, 1990 Order, page 3 of 3, the explanation of the specific goals used to award incentive pay increases for the union work force, provide the following information:

a. Explain the reason(s) for setting reductions in composite off-duty and OSHA recordable work-related injuries at 12.5 percent.

b. Explain why the limit for the medical insurance coverage increases was raised to 12 percent in 1992.

c. Explain why an increase in net operating income is a factor in determining an increase in 1992, but not a factor for 1991.

4. Concerning the response to Item 13(a) of the August 8, 1990 Order, identify the reasons why the number of participants in the 401(k) defined contribution program decreased between 1989 and the test year. Include the number of participants who left the program due to the corporate reorganization.

5. Concerning the response to Item 13(c) of the August 8, 1990 Order, page 1 of 2, provide the following information:

a. Explain why the costs of the retirement benefits package were lower in 1987 and 1988.

b. Explain why the test year costs of the retirement benefits package are 13.6 percent higher than the costs in 1989.

6. Concerning the response to Item 17(c) of the August 8, 1990 Order, page 3 of 4, it is stated that the costs included in LG&E's proposed Phase I proceeding are now known and measurable. Explain how this is the case when included in Phase I is the impact of expected additional expenditures of $37,829,317 on Trimble County Unit 1 ("Trimble County").

7. In the final Order in Case No. 10481,[1] the Commission stated that it believed the best solution to the problem of regulatory lag occurring during periods of significant additions to plant in service was the use of a forecasted test year. The Commission gave notice that:

> 1) adjustments for post test-year additions to plant in service should not be requested unless all revenues, expenses, rate base, and capital items have been updated to the same period as the plant additions; 2) it will accept a forecasted test period in lieu of the adjusted historical test period; and 3) if a forecasted test year is used in a rate case, the utility should also file historical test-period information for a 12-month period.[2]

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1 Case No. 10481, Notice of Adjustment of the Rates of Kentucky-American Water Company Effective on February 2, 1989, final Order dated August 22, 1989.

2 <u>Ibid</u>., page 5.

Given this statement and LG&E's responses to Items 17(c) and (d) of the August 8, 1990 Order, explain why the Commission should adopt LG&E's two phase approach in this proceeding.

8. Concerning the response to Item 18 of the August 8, 1990 Order, the proposed property tax adjustment, provide the following information:

a. The workpapers and calculations which support the use of 70 percent to determine the estimated assessed value.

b. Copies of the documents showing the property tax rates, as was originally requested in the August 8, 1990 Order.

9. Concerning the response to Item 21 of the August 8, 1990 Order, explain why the amounts charged off by LG&E for uncollectible accounts have been steadily decreasing since 1985.

10. Concerning the response to Item 22 of the August 8, 1990 Order, page 1 of 4, explain whether the test year amount for sales and use taxes have been adjusted for the following situations:

a. The purchase of vehicles in the test year.

b. The effects of expenditures LG&E have not included for rate-making purposes, Fowler Exhibit 1, Schedule Q.

11. Concerning the response to Item 24 of the August 8, 1990 Order, the provided information was not complete. For Fowler Exhibit 1, Schedule Q, provide a detailed schedule itemizing the non-recurring expenses LG&E proposes to eliminate, as was originally requested.

12. Concerning the response to Item 33(b) of the August 8, 1990 Order, provide a supplemental schedule which shows the balance of the total Trimble County construction work in progress as

of the end of April, May, and June of 1990. Update this schedule when the detailed monthly statements are provided to the Commission.

13. The response to Item 36 of the August 8, 1990 Order was not complete. Provide a copy of the current Electric Power Research Institute's ("EPRI's") membership policy. If the information is available, provide a discussion of the revisions to the policy being considered by EPRI.

14. Concerning the response to Item 37 of the August 8, 1990 Order, indicate whether LG&E's joining of EPRI has eliminated the need for payment of an annual license fee for the EGEAS program. If so, indicate where in the application LG&E has proposed to remove the annual $11,000 license fee.

15. Concerning the response to Item 39(a) of the August 8, 1990 Order, provide the following information:

a. Explain why LG&E has not performed a formal cost/benefit analysis concerning its membership in the Edison Electric Institute ("EEI").

b. For the additional benefits identified in this response, prepare a narrative description of the benefits similar to the narrative found in the testimony of Frank Wilkerson, pages 4 through 7.

c. For each of these additional benefits, indicate if the benefit would have been available to LG&E if it were not a member of EEI.

16. Concerning the response to Item 43 of the August 8, 1990 Order, explain how the changes in the following plant accounts are related to normal construction activity:

a. Account No. 1394.3, Other Equipment.

b. Account No. 1395, Laboratory Equipment.

c. Account No. 3303, Miscellaneous Intangible Plant - IFPS Computer Software.

d. Account No. 3391.1, Office Furniture.

e. Account No. 3391.3, Computer Equipment.

f. Account No. 3394.2, Garage Equipment.

g. Account No. 3396.1, Power Operated Equipment - Hourly Rated.

h. Account No. 3397, Communication Equipment - Other.

17. The response to Item 44 was not complete; however, the request appears to need a clarification. For each of the reserve balance categories, explain the reason for the change in the reserve balance between April 30, 1989 and the test year end.

18. Items 46 and 47 of the August 8, 1990 Order requested information concerning changes in electric and gas expense account balances between the test year and the prior year. A review of those responses indicates additional information is needed for specific accounts. Provide additional information for the following accounts:

a. Item 46(k), page 4 of 13, Account No. 555, Purchased Power. Explain why purchases of energy increased during the test year. Identify any reasons why interchange power delivered decreased during the test year.

b. Item 46(aj), page 11 of 13, Account No. 920, Administrative and General Salaries; Item 46(al), page 11 of 13, Account No. 923, Outside Services; Item 47(w), page 9 of 11, Account No. 920, Administrative and General Salaries; and Item 47(z), page 10 of 11, Account No. 923, Outside Services. In the responses to these account changes, LG&E indicated that the increases were due to the capitalization of previously expensed costs associated with the Management Information Systems development in the prior year. Explain how expenses would increase due to the capitalization of previously expensed costs.

19. Concerning the response to Item 51(c) of the August 8, 1990 Order, explain whether LG&E considers this moving expense to be a recurring item. If LG&E does consider these moving expenses to be a recurring item, include the reasons which support this determination.

20. Concerning the response to Item 51(e) of the August 8, 1990 Order, explain why the cost of season tickets to the Louisville Orchestra should be included for rate-making purposes. If LG&E has removed this cost for rate-making purposes, identify where the adjustment has been recorded.

21. Concerning the response to Item 51(f) of the August 8, 1990 Order, explain why the pledges to the Louisville Development Foundation and the Greater Louisville Economic Development Council are not a form of promotional advertising for LG&E. If available, provide examples of material issued by these two organizations.

22. The responses to Items 58 and 59 of the Commission's Order of August 8, 1990 indicate that the fuel cost incurred during

the test year applicable to jurisdictional retail customers was $114.4 million and that total adjusted fuel cost recovered at the current base fuel cost is $112.66 million. In light of the Commission's decision in Administrative Case No. 309 to implement an over- and under-recovery mechanism for generating utilities provide the following:

a. A general explanation of the reasons for the difference between the amounts of fuel cost and fuel cost recovered which results in an adjusted under-recovery of $1.74 million in the test year.

b. A detailed explanation for why a test year over- or under-recovery of fuel costs should be included in the determination of revenue requirements in a general rate case which involves recovery of non-fuel costs.

23. The response to Item 62 of the Commission's Order of August 8, 1990 provides the derivation of the proposed interruptible demand credit of $3.30 per KW. Provide the following information regarding the proposed credit:

a. An explanation for the choice of 25 MW as the increment of interruptible load used in the analysis.

b. An explanation for the selection of 10.99 percent as the discount rate.

c. An explanation for the choice of 70 percent as the assumed capacity factor.

d. A general explanation of the weighting factors assigned to the high, base, and low load forecasts.

e. A narrative explanation, along with supporting workpapers and calculations, of the derivation of the scenario costs for each of the six scenarios included in the analysis.

24. Provide an explanation of the derivation of the following external functional assignment vectors: F39 used in Walker Exhibit 1 and CADAL and SERMAIN used in Walker Exhibit 2. Provide all formulas and calculations.

25. For the electric and gas internally-generated assignment vectors described in response to Item 64 of the Commission's Order dated August 8, 1990, provide a more detailed explanation of the manner in which each vector is determined by the cost-of-service computer model.

26. Provide a more detailed explanation than that provided in response to Item 31 of KIUC's First Data Request regarding the derivation of the functional assignment vector PROVAR. Provide any pertinent calculations.

27. Regarding the classification of overhead conductors shown in Item 67B, pages 55-57 of your response to the Commission's Order dated August 8, 1990, explain in general terms how the primary and secondary cost components for the various conductor sizes were determined.

28. Regarding the classification of underground conductors shown in Item 67B, pages 68-69 of your response to the Commission's Order dated August 8, 1990, explain in general terms how the primary, secondary, and production cost components for the various conductor sizes were determined.

29. Describe fully how the samples of distribution main, overhead conductor, underground conductor, and transformer sizes used in the zero-intercept analyses shown respectively in Item 67A, pages 17-18, and Item 67B, pages 50-54, 61-66, and 71-84 of your response to the Commission's Order dated August 8, 1990 were chosen. Provide an explanation of sampling techniques, methodologies, and criteria used to choose the samples and all pertinent workpapers illustrating the sampling processes.

30. Explain the difference between the totals for overhead conductor plant in service shown in Item 67B, page 57 of your response to the Commission's Order dated August 8, 1990 ($55,186,405) and in Walker Exhibit 1, page 1-1 ($66,741,439).

31. Explain the difference between the totals for underground conductor plant in service shown in Item 67B, page 69 of your response to the Commission's Order dated August 8, 1990 ($25,822,708) and in Walker Exhibit 1, page 1-1 ($32,350,581).

32. Regarding the zero-intercept analysis for transformer installation costs shown in Item 67B, pages 80-84 of your response to the Commission's Order dated August 8, 1990:

a. Explain how these zero-intercept results were used in the electric cost-of-service study shown in Walker Exhibit 1.

b. Explain how the sample of transformer sizes was chosen. Provide an explanation of sampling techniques, methodologies, and criteria used to choose the sample and any pertinent workpapers illustrating the sampling process.

Done at Frankfort, Kentucky, this 29th day of August, 1990.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director